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July 25, 1996  
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EXHIBIT D

**The House of Representatives and Senate approved the House/Senate conference agreement on S652, the Telecommunications Act of 1996, by overwhelming margins on February 1. President Clinton signed the bill one week later, making it Public Law 104-104.**

**T**he legislation changes communications law eliminating the legal barriers that prevent telephone, cable TV and other companies from competing in each other's markets. The new law allows the regional Bell companies (RBOCs) to enter long-distance service, electronic publishing and equipment manufacturing. The legislation allows telephone companies to enter into video delivery and also deregulates cable TV services and rates. The Telecommunications Act further permits a single entity to own TV stations that reach up to 35 percent of U.S. households and allows increased foreign ownership of U.S. telephone companies.

As a reform of U.S. communications law, the legislation contains many provisions that touch myriad issues, markets and industries. Outlined below are provisions of the legislation that may have a direct or indirect effect on CEMA member companies, but it is not an exhaustive list of stipulations.

#### **Local Telephone Service**

**Competition** - The RBOCs are required to allow competition using their local network (as would any new entrant into the local phone market), thus breaking up the monopoly the baby Bells have held on local telephone service.

**Interconnection** - Any local phone company must allow resale of its services and give competitors access to its poles, conduits and rights of way. Local phone companies must permit customers to keep their individual phone numbers, even when they change service providers. Local phone companies are required to make dialing as easy for customers of other service providers as it is for their own.

**Universal Service** - Local phone companies are required to offer a minimum package of telecommunications services to customers at a "just, reasonable and affordable" price. The FCC will decide what types of services must be offered to all parts of the country and will maintain oversight of universal service, providing updates about the required minimum as technology changes and improves.

#### **Long-Distance Service**

**RBOC Entry** - The RBOCs are allowed to enter the long-distance market for the first time since the 1984 Modified Final Judgement (MFJ) that broke up AT&T. Prior to entering long distance, the RBOCs must show that they have opened their local networks to viable competition.

#### **Miscellaneous Telephone**

**Manufacturing** - RBOCs are permitted to manufacture telephone equipment once they have been approved to offer long distance services. RBOCs also had been prohibited from manufacturing under the MFJ.

# Telecommu

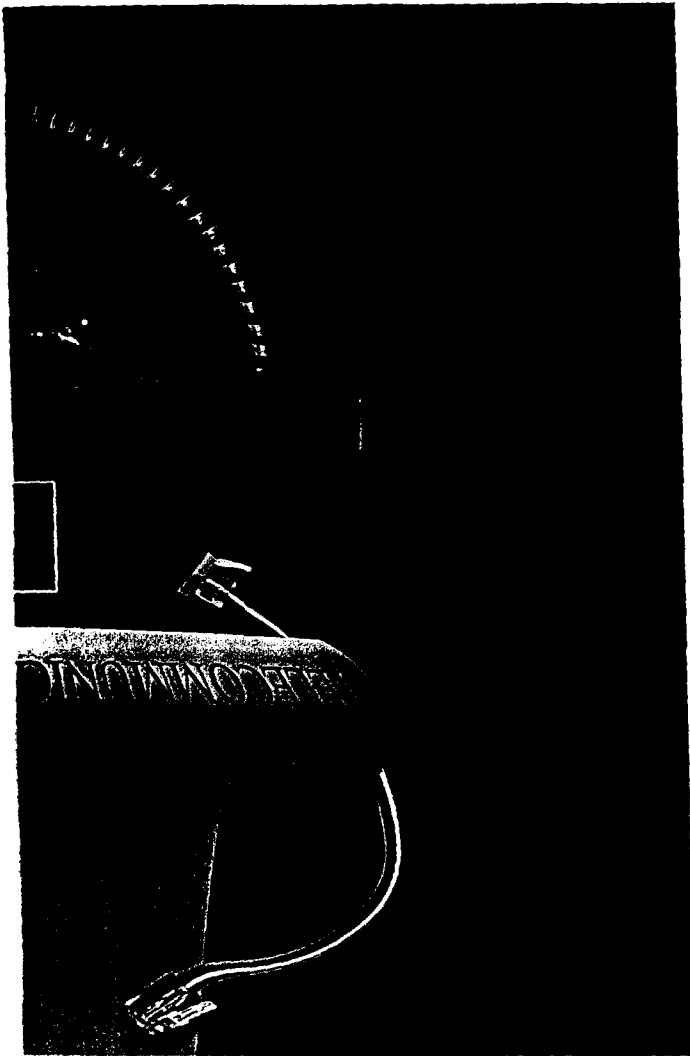


# Affects CE

**Public Utilities** - Public utilities may offer telecommunications services under the jurisdiction of the FCC and state regulatory authorities.

**Electronic Publishing Alarm Monitoring** - Bell companies are allowed to provide electronic publishing services through a separate subsidiary. RBOCs are also permitted to provide online alarm monitoring after five years (Ameritech is exempted because it already provides alarm monitoring).

# ications Act



# A Members

## Cable TV

**Deregulation** - Senate Bill 652 deregulates cable rates for services beyond the basic tier after three and a half years for major cable systems. Systems with fewer than 50,000 subscribers are deregulated immediately. Cable companies can forego the waiting period if a telephone company enters their market and provides video programming to a comparable number of subscribers.

**Telephone Companies** - The act permits telephone com-

panies to offer video services. Telephone companies entering the video delivery market will be regulated according to the transmission method they use (cable, wireless, etc.).

**Open Video System** - Senate Bill 652 creates an entity called an "open video system" that can avoid considerable regulation by turning over at least two-thirds of its capacity to unaffiliated programming.

**Eshoo Provision** - The Eshoo provision remains intact as passed by the House Commerce Committee. The provision has a potentially chilling—if not deadly—effect on the current decoder interface negotiations to allow for compatibility among TVs, VCRs and cable systems. CEMA worked diligently with Rep. Eshoo and proponents of the provision to improve the negative effects, but parties favoring the legislation were unwilling to make any changes. During conference, language suggested by CEMA clarifying and narrowing the potential application of the Eshoo provision was inserted into the report accompanying the bill.

**Competitive Availability of Set-Top Devices** - The conference agreement retained what was section 203 of HR1555 as passed by the House. This section, which was not included in the Senate bill, provides for the separation of security from all other features and functions associated with set-top navigation devices, allowing for a dynamic competitive market in set-top boxes through third-party nonaffiliated retail vendors as well as manufacturers and service providers.

## Broadcasting

**ATV Spectrum** - The legislation gives broadcasters additional "spectrum flexibility" in the use of their ATV channels. That flexibility, however, is limited to "ancillary and supplementary" uses, provided the use is consistent with provision of advanced television services and avoids derogation of ATV services, including HDTV. The provisions limit the initial ATV licenses to current broadcasters and require that the FCC use penetration of ATV television receivers or potential loss of reception (NTSC) to a substantial portion of the public as criteria for the surrender by broadcasters of their analog licenses. Most importantly, CEMA worked to ensure that the Telecommunications Act of 1996 is silent on ATV spectrum auctions—a particularly controversial issue in recent weeks. Rather than stopping the HDTV process, as some influential members of Congress had suggested, the bill allows the process to advance. The issue of ATV spectrum auctions will be discussed further in Congress and at the administration. In the meantime, there are not likely to be any actual assignments of ATV channels until this matter is resolved.

**Media Concentration** - Networks will be allowed to own stations that reach up to 35 percent of U.S. households, an increase from the former 25 percent limit. A cap on owning more than 20 FM and 20 AM radio stations is lifted, but the bill maintains limits on the number of radio stations a single company can own in a particular market.

**Satellite TV** - The FCC is given exclusive jurisdiction to regulate satellite TV broadcasts. ▶

## Content

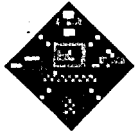
**TV Violence** - Both House and Senate bills went into the conference with V-Chip mandates. Included in the House bill was a second provision designed to encourage the industry to establish a private sector technology fund to help develop and bring to market parental control technologies. The conference agreement includes both a V-Chip requirement and the technology fund language. During discussion of this issue, a number of positive changes CEMA suggestions were incorporated into the V-Chip provisions including: a two-year external period during which no hardware mandate can be implemented; the removal of a requirement to have time, channel and program blocking features in all TVs; accommodation for alternative technology and future technologies; and provisions requiring FCC consultation with TV manufacturers (and in some cases limiting the FCC to an oversight role) in setting standards and implementation dates.

**Online Obscenity** - The legislation bans the dissemination of "indecent" material via online services and the Internet. It provides a legal defense for services and Internet access providers if they made a good faith effort to block indecent material.

## Accessibility

**Video Programming** - The FCC is required to ascertain the level at which video programming is closed captioned and report to Congress. Within 18 months after enactment of the new law, the FCC must adopt regulations requiring all new video programming to be closed captioned and program providers to maximize the accessibility of their pre-existing video programming through closed captioning. The legislation also requires the FCC to study the use of video descriptions to ensure accessibility of video programming to individuals with visual impairments and report to Congress with suggestions on how video descriptions should be "phased" into the marketplace.

**Equipment** - The new law requires that "to the extent readily achievable," manufacturers of consumer premises equipment (CPE) or telecommunications equipment must ensure that their equipment can be accessed by disabled individuals. Within 18 months of enactment, the Architectural and Transportation Barriers Compliance Board must develop guidelines for access to telecommunications equipment and CPE. *For more information, contact Joe Peck, CEMA Government & Legal Affairs, tel: 703-907-7652; fax: 703-907-7693; email: jpeck@eia.org.* ♦

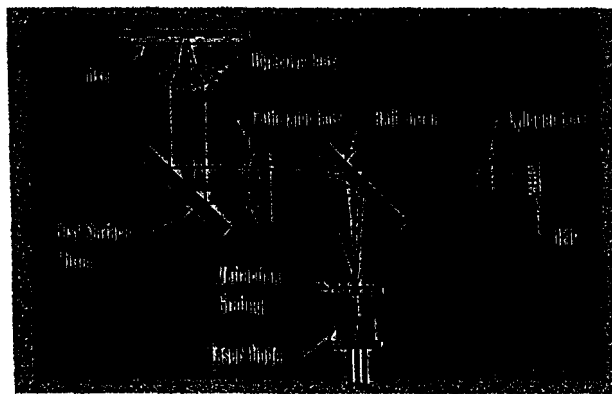


AT YOUR SERVICE

# Troubleshooting Optical Pickups

**C**EMA's Product Services Department is offering its latest technical training video, "Troubleshooting Optical Pickups," to electronics technicians, educators and EIA/CEMA members. The 40-minute tape covers the theory of operation and diagnostic procedures for optical pickup devices used in video laser players, CD players and CD-ROMs in personal computer. The video is specifically aimed at servicing technicians to assist in differentiating the problem between the optical device and its surrounding circuitry. Accompanying the tape is a reference booklet that includes a glossary and sources of service aides.

Several individuals aided in the development of the video, including Andrew Doyle of JVC Service &



Marcel Rialland of Toshiba Consumer Products and Allen Renning of Yamaha Electronics Corp.

The VHS tape is available for a prepaid cost of \$30, but special member discounts are available. *For more information, contact Walter Seymour, CEMA Product Services, tel: 703-907-7659; fax: 703-907-7601; email: wseymour@eia.org.* ♦

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